ALLAN S.
GOODMAN
INCORPORATED

Distributor of fine Wine & Spirits since 1933

Testimony of David Heller
In Opposition to:

H.B. No. 5276 (RAISED) AN ACT CONCERNING CONNECTICUT BASED MICROBREWERIES

General Law Committee, Public Hearing, March 2, 2010

Good afternoon, Chairman Colapietro, Chairman Shapiro, and members of the General Law Committee my name is David Heller and I am the President of Allan S. Goodman. I represent the third generation of family members that have owned and operated the Allan S. Goodman Company, a licensed Connecticut wholesaler of wine, spirits and beer, located in East Hartford.

I am here today to provide the committee with information about the substantial investments wholesalers make to bring new brands to market and to promote continued interest in existing brands.

Whether it is introducing a new brand to the Connecticut market or rejuvenating or invigorating interest in an existing brand, wholesalers work collaboratively with the supplier to create a marketing plan, which takes into consideration the supplier's national goal and the wholesaler's unique knowledge of the local market. Wholesalers train their sales staff about the new product or create a sales initiative for an existing product which is then presented to local retailers – bars, restaurants and package stores. Sales consultants will make individual sales calls to retailers to generate interest in a product. Their efforts may include a consumer tasting, a promotional event, interesting point of sales material or the construction of a unique floor

180 Goodwin Street • East Hartford, CT 06108 • TEL: (860) 289-2731 • 1-800-842-8603 • FAX: (860) 528-1815
MAILING ADDRESS: P.O. Box 749 • Hartford, CT 06142-0748

display, all intended to develop consumer interest and ultimately purchase of the product. Retailers, in turn, make individual buying decisions on a brand by brand basis based upon their knowledge of their customers and on what they feel their customers will buy. While all three tiers may think there will be consumer interest in a particular product, ultimately, it is the consumer who decides which brands succeed or fail.

In Connecticut there are over 33,000 wine, spirits, and beer brands registered with DCP for sale with new brands coming every day. Inter-brand competition is fierce. To give any new brand a chance for success, we must make a commitment of money and human resources without any guarantees as to the success or profitability of the brand.

Wholesalers are financially motivated to promote the brands they distribute but do not fully control the margins they earn. Retail prices are based on and limited by the competition of the 33,000 brands in the State. When a brand fails, for whatever reason, federal law prohibits the return of the product to the supplier and the wholesaler's only options are to sell the item, often at a significant loss, or in some instances destroy the product at a total loss. Therefore, when a wholesaler takes on a brand, they do so knowing that they will have to "invest" in the brand's marketing and promotion.

While many consumers of beverage alcohol have a favorite brand of choice, be it a Jack Daniels and Coke, a glass of Sonoma Cutrer Chardonnay or a pint of Guinness, upstart and well established suppliers are constantly introducing new brands. Over the last 5 years Allan S. Goodman, Inc. has introduced an average of 80 new brands each year. Our success rate for new brands established over this time frame is about 25%. Stated another way, three out of the four times we invest in bringing a new brand to market, the brand fails to attract consumer attention.

The initial investment to begin marketing and promoting a small brand can easily reach $50,000 with more significant brands requiring investments exceeding $1,000,000.00 over time.

Here is a typical example of a brand launch from May of 2009. The Sweet Tea Vodka concept was gaining traction in many other states. There were only a few sweet tea brands in Connecticut. After we made a presentation to one of our existing suppliers, we were granted the right to a brand that was being rolled-out nationally. We then made the following investments:

- Purchased $70,000 of inventory
- Invested $10,000 in introductory price discounting
- Invested $10,000 in paying our sales force to conduct tastings at retail
- Designed and printed over $3,000 of window and in-store signage

Other associated costs with this brand introduction included:

- Development of marketing plan in coordination with the supplier
- Logistic costs incurred when purchasing and receiving in-bound freight
- Training and education of sales force
- Delivery costs
- Furnishing of samples for the trade
- Production/distribution/setup of displays, Point of Sale materials, shelf talkers, and brand merchandising materials.

As it turns out, this brand as limited consumer appeal and we still have over $35,000 of inventory on hand after all of this effort and expense.

I wanted to share with you this example to emphasize that not all of our investments in developing a brand lead to success. Our company has been fortunate and privileged to have built over 2400 brands, which we continue to nurture. We would, however, be very reluctant to invest in new brands or to reinvest in existing brands knowing that the rug could be yanked out from under our feet based upon the mere whim of a supplier. It is for this very reason that we are opposed to bill H.B. No. 5276 .